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SOURCE

Magyar Kozlony.

### SHIFT OF ECONOMIC TOP CONTROL AUTHORITY IN HUNGARY

Comment: The following report gives information on Law II on Central State Control and Decree No 51 of 1952, which implements Law II.

Under Law II of 6 June 1952, top economic control, exercised by the AEK (Allami Ellenorzo Kozpont, State Control Center), was removed from the National Economic Council, headed by Erno Gero, and placed under the direct jurisdiction of the Council of Ministers.

The shift affects one of the most important components under Gero's control and has also possibly weakened his position. It is suggested that there may be a connection between this shift and the surprise move which followed on 14 August 1952, when Matyas Rakosi assumed the rank of Minister President. Thus, Law II of 1952 may be interpreted as an instrument tipping the balance of power in the rivalry between Rakosi and Gero, which has been repeatedly reported in the Western press, as well as by US Legation observers for several years.

A comparison of the new law on the AEK with Decree No 17 of 1949 of the Presidential Council, by which the AEK was created, reveals the following important changes:

- While the 1949 decree placed the AEK under the jurisdiction of the National Economic Council, the present law states that the AEK operates under the direct supervision of the Council of Ministers.
- 2. Under the 1949 decree, the joint Soviet-Hungarian corporations were explicitly subject to AEK control, while they are omitted from the list of supervised organizations in the present law.
- 3. The 1949 decree leaned heavily on mass denunciations. The present law expands this basis of control and creates a special agency under the AEK for following up denunciations, which it indirectly recognizes as an instrument of national policy.

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Decree No 51 of 1952 gives the AEK quasi-judicial powers. It lists nine instances in which the AEK is authorized to impose fines directly on individuals.

Law II on Central State Control -- Budapest, Magyar Kozlony, 6 Jun 52

### General Provisions

The tasks pertaining to centralized state control are the responsibility of the AEK, which operates, under the direct supervision of the Council of Ministers.

The responsibilities of the AEK are strengthening of state and general discipline, safeguarding of social property, aid in the economic execution of national economic plans, elimination of bureaucracy, and extension of personal responsibility. In the performance of these tasks, AEK is authorized to: (1) supervise the production, business, and financial activities of all state authorities, enterprises, institutions, and other agencies; (2) supervise the cooperatives and other associations from the vicupoint of whether they conduct their affairs in accordance with existing legal regulations; (3) supervise the execution of state resolutions; (4) advise the Council of Ministers of experiences gained in the course of supervision; and (5) advise the Council of Ministers in connection with the Council of Ministers' annual report on the execution of the

Except for the supervision of the financial affairs of these agencies, the AEK does not supervise the operations of mass organizations, diplomatic agencies, the armed forces, the AVH, the police, the courts of law, and the prosecutor's office. The employees of the AEK must be politically and morally irreproachable, a fact which should enable them to supervise others not only on a purely legal basis but also on a moral one. In the course of their supervisory activities, they must disregard personalities, however highly placed they are.

For the citizens of the Hungarian People's Republic, it is a point of honor to notify the AEK of all ueficiencies and irregularities which affect the public welfare. Supervision should be conducted with the cooperation of wide strata of workers. For the utilization of the experiences of the working masses, the AEK maintains the Kozerdeku Bejelentesek Hivatala (Orfice for Reports in the Public Interest). Reports received by this office will be investigated either directly by the AEK or will be forwarded to the appropriate supervisory agencies, which then are required to inform the AEK of the results of the investigation. The person submitting the report will be advised of the disposition of the matter.

The supervisory activities of the AEK will be performed on the basis of a thorough study of the resolutions of the highest state executive and administrative organs, the geographic and economic areas concerned, and the reports submitted by the workers. The general plan of supervision will be drawn up by the Council of Ministers. The plan should enable the AEK to direct its primary attention to timely problems of the national economy and the execution of the most important resolutions. Supervision by the AEK should be conducted primarily with the problems of production in view and should also include the conduct of financial and economic affairs.

The AEK is required to institute investigation on the order of the Council of Ministers. The individual ministers are also authorized to direct the attention of the president of the AEK to certain phenomena which require investigation.

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# Organization and Operation of the AEK

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The AEK is headed by a president. In the event that the president is unavailable, his duties are performed by one of the deputy presidents. The president is appointed, on the recommendation of the Council of Ministers, by the Presidential Council, and the deputy presidents are appointed by the Council of Ministers. Other employees of the AEK are appointed by the president of the AEK.

The AEK may delegate a permanent resident inspector or inspecting group to the largest enterprises, important building projects, and the railroad. The AEK is authorized to institute investigation at any time at its discretion.

The AEK may send representatives to attend meetings conducted by the ministries and other state agencies. Meetings conducted by the Ministry of Foreign Affairs, the Ministry of Defense, the Ministry of the Interior, the AVH, and certain other agencies may be attended by a delegate of the AEK only on special invitation.

Representatives of the AEK are authorized to inspect all records in the course of their investigation. Even secret documents must be made available to the AEK, in the course of the investigation, and all findings of the AEK inspectors must be documented. For this purpose, a certified copy of any document requested by the inspector must be made available to him. In certain cases, the inspector is authorized to take possession of the original and leave the certified copy with the agency which he investigated. Other forms of documentation include certified protocols and photographs.

After the conclusion of the investigation, the inspector is required to draw up a protocol embodying his findings and to communicate its contents to the responsible heads of the agencies investigated. The protocol must include not only the details of irregularities but also their causes and effects, as well as the names of the responsible persons. The responsible persons named in the document are required to sign it.

### Exploitation of the Findings

Findings of basic importance, if necessary accompanied by specific recommendations, are submitted by the AEK to the Council of Ministers. Important findire affecting a single economic branch are transmitted to the minister concerned. The minister is required to notify the AEK of any action taken on the basis of such findings, and if the president of the AEK is not satisfied with the action, he is authorized to submit the matter to the Council of Ministers for arbitration.

Should the AEK find that an agency contravenes the instructions of higher authority, it will request the agency to take steps for the elimination of irregularities and to notify the AEK, in a reasonable period of time, of the steps taken. Concurrently, the AEK will notify the ministry or supervisory authority of the request which is made on the agency investigated.

The AEK itself is not authorized to take action for the elimination of the irregularities reported. In the event that the investigation should disclose irregularities which were committed by the management of the agency investigated, the president of the AEK may recommend disciplinary action to the Council of Ministers directly.

The president of the AEK is authorized to require the person who is responsible for damage to social property to make restitution. The amount of restitution is established by the AEK or the Ministry of Finance. In the event that the investigation discloses criminal action, the matter is transmitted by the AEK to the prosecutor's office.

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#### Penalties

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Unless an act is subjected to a more severe penalty, persons committing the following acts are subject to 3 years' imprisonment: (1) impeding AEK investigation; and (2) refusal to make information or documents available to a representative of the AEK in the course of investigation.

Anyone who takes retaliatory measures against a worker for information divulged to the AEK is subject to 6 months' imprisonment or a fine not exceeding 5,000 forints.

The present law invalidates Decree No 17 of 1949 of the Presidential Council.

DECREE NO 51 AUTHORIZES TO IMPOSE FINES -- Budapest, Magyar Kozlony, 26 Jan 52

Comment: It will be noted that items 2, 4, 5, and 6 below, insofar as they apply to state administrative agencies, are also included among the powers of the Ministry of Finance under Decree No 52 of 1952

Implementing Law II of 1952, the Council of Ministers has issued Decree No 51, dated 26 June 1952, authorizing the AEK to impose payment for damages on the responsible persons in the following cases: (1) if goods, equipment, fuel, materials, etc., spoil or are destroyed or lost; (2) if workers in excess of the authorized number are employed, or if wages are above the legal limits; (3) if the expenditures of organs operating under the national budget exceed the budgeted amounts; (4) if bonuses or allowances are paid illegally; (5) if a worker is paid a special allowance for work which he is obliged to perform in the course of his normal duties; (6) if travel expenses are excessive; (7) if the amounts devoted to celebrations or donation to state or social organs are unauthorized or excessive; (8) if a claim is allowed to lapse; and (9) if a fine imposed on a worker is not collected.

The amount of damages cannot be in excess of 3 months' basic wages. In the event that criminal proceedings are instituted against the responsible person, the amount of damages is fixed by the court.

Damages imposed by the AEK are deductible from the wages of the guilty person. The deductions cannot exceed 33 percent of monthly basic wages.

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